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## **DIVIDEND DISTRIBUTION POLICY**

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## **Part 1: Introductory Provisions**

### **1. Purpose**

- 1.1 This Dividend Distribution Policy (the “**Policy**”) of Leejam Sports Company (the “**Company**”) sets forth the mechanism for distributing dividends by the Company to its Shareholders and the payment procedures and terms.
- 1.2 This Policy is prepared in accordance with the Regulatory Rules and Procedures issued pursuant to the Companies Law relating to Listed Joint Stock Companies, the Capital Market Authority’s Corporate Governance Regulations, the Companies Law and in light of the Company’s Bylaws.
- 1.3 This Policy is intended to implement and supplement the relevant provisions of the Bylaws. In case of conflict between this Policy and the Bylaws, the Bylaws shall prevail.

### **2. Definitions and Abbreviations**

- 2.1 The terms and expressions used in this Policy shall have the meanings assigned to them in the Corporate Governance Regulations issued by the Capital Market Authority, unless otherwise required by the context.

## **Part 2: Mechanism and Principles**

### **1. Annual Dividends**

- 1.1 Annual dividends shall be distributed based on the approval of the General Assembly following the recommendation of the Board of Directors to the General Assembly regarding the Company’s net profit, the calculated dividend amount and the proposed allocation.
- 1.2 The General Assembly reserves its right to reject distribution of dividends in any given year if it believes distribution of dividends would be prejudicial to the financial status of the Company and its working capital requirements.
- 1.3 The Board of Directors shall enforce the resolution of the General Assembly and distribute the dividends within fifteen (15) days of the date of entitlement set out in the resolution.

### **2. Dividends Amount Calculation Procedure**

- 2.1 The distribution of annual dividends, after deducting general expenses such as zakat and income tax, shall be allocated as follows:
  - a. ten percent (10%) of the annual net profit shall be set aside to form a statutory reserve. The Ordinary General Assembly may decide to discontinue setting aside such percentage when the said reserve reaches 30% of the paid-in capital;
  - b. no less than five per cent (5%) of the paid up capital shall be paid as dividends to Shareholders out of the balance of the net profit;
  - c. the Ordinary General Assembly, following the recommendation of the Board of Directors, may set aside twenty per cent (20%) of the net profit to form a consensual reserve to be allocated for specific purposes;
  - d. the surplus of the annual net profits shall be distributed to the Shareholders unless the Ordinary General Assembly decides otherwise.

- 2.2 Upon allocating the dividends amount from the net profit, the Ordinary General Assembly may resolve to form other reserves to the extent such reserves (i) serve the Company's interests or (ii) guarantees the distribution of fixed dividends to the Shareholders.
- 2.3 Dividends must be distributed to Shareholders in proportion to their shares in the Company.
- 2.4 Dividends shall be distributed in the form of cash, bonus share or combination of both.
- 2.5 The Board of Directors must include in its annual report submitted to the General Assembly of the Company the portion of dividends distributed to Shareholders during different periods of the financial years in addition to the portion of dividends recommended for distribution at the end of the financial year as well as the aggregate dividend amounts.

**3. Interim Dividends**

- 3.1 Interim dividends may be distributed on a quarterly or semi-annual basis in the event the following requirements have been met:
  - a. The General Assembly shall delegate the Board of Director the authority to distribute interim dividends based on a resolution to be renewed annually.
  - b. The Company shall enjoy regular positive profitability.
  - c. The Company shall enjoy reasonable liquidity and is able to reasonably foresee the scale of its profits.
  - d. The Company shall have distributable profits according to the latest audited annual financial statements sufficient to cover the proposed dividend distribution, after deducting the amounts distributed and capitalized of the profits after the date of the these financial statements.
- 3.2 In the event the Board of Directors decides to distribute interim dividends, the Company shall disclose and announce such resolution and provide the Capital Market Authority with a copy thereof immediately.

**4. Shareholders' Eligibility and Entitlement**

- 4.1 The resolution of the General Assembly approving the distribution of annual dividend shall set out the date of entitlement and the date of distribution.
- 4.2 Eligibility of Shareholders is determined in accordance with the relevant rules and regulations and the Company's announcement on the Saudi Stock Exchange (Tadawul) website.

**Part 3: Closing Provisions**

**1. Closing Provisions**

- 1.1 This Policy shall be adopted by a resolution of the Board, and shall enter into effect from the date on which it is approved by the Board.
- 1.2 The Board of Directors shall oversee the implementation of this Policy and shall periodically review its provisions. Moreover, any amendments to this Policy shall be adopted in the same manner in which this Policy was adopted.
- 1.3 The Board of Directors shall comply with the relevant disclosure obligations and requirements under the Disclosure Policy and the applicable laws and regulations in respect of this Policy.

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